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**CITY OF PONCHATOULA,  
LOUISIANA**

Annual Financial Statements  
For the Year Ended June 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 19 2011**

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## Independent Auditor's Report

The Honorable Robert F. Zabbia, Mayor  
and City Council Members  
City of Ponchatoula, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ponchatoula, Louisiana (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2011, on our consideration of the City of Ponchatoula, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a premier alliance of independent accounting and consulting firms. It is a McGladrey Alliance member firm that has joined this alliance, under long-term independence and non-responsibility for their own client relationships, delivery of services and maintenance of client relationships.

The management's discussion and analysis on pages 4 - 13 and budgetary comparison information presented as Schedules 1 and 2 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ponchatoula, Louisiana's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Robert J. LeBlanc".

A Professional Accounting Corporation

October 4, 2011

**REQUIRED SUPPLEMENTAL INFORMATION - PART I**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

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As management of the City of Ponchatoula, Louisiana (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. This Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

The City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34. This reporting model significantly changed the presentation of financial data and also the manner in which the information is recorded. Prior year comparative information for this reporting period has been included in this MD&A, along with a narrative of the changes expected from one year to the next.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Supplemental Information, which is in addition to the basic financial statements themselves.

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

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- A. The Statement of Net Assets presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.
- B. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into:

*Governmental activities* that are principally supported by taxes and intergovernmental revenues, and

*Business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net assets for the current year as compared to the prior year. For a more detailed analysis, see the Statement of Net Assets on Statement A of this report.

	2011	2010	Change	% Change
<b>Assets</b>				
Current and Other Assets	\$ 7,546,022	\$ 7,274,617	\$ 271,405	3.73%
Capital Assets	13,857,588	13,920,681	(63,093)	-0.45%
<b>Total Assets</b>	<b>21,403,610</b>	<b>21,195,298</b>	<b>208,312</b>	<b>0.98%</b>
<b>Liabilities</b>				
Current Liabilities	485,536	850,696	(365,160)	-42.92%
Long-Term Debt	336,514	415,560	(79,046)	-19.02%
<b>Total Liabilities</b>	<b>822,050</b>	<b>1,266,256</b>	<b>(444,206)</b>	<b>-35.08%</b>
<b>Net Assets</b>				
Invested in Capital Assets	13,712,845	13,680,774	32,071	0.23%
Restricted Net Assets	1,413,594	1,327,682	85,912	6.47%
Unrestricted Net Assets	5,455,121	4,920,586	534,535	10.86%
<b>Total Net Assets</b>	<b>\$ 20,581,560</b>	<b>\$ 19,929,042</b>	<b>\$ 652,518</b>	<b>3.27%</b>



**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$20,581,560 (*net assets*), an increase of \$652,518 from last year. Of the total amount, \$5,455,121 is unrestricted net assets. The City's net assets are comprised of \$11,130,399 from governmental activities and \$9,451,161 from business-type activities as shown on Statement A.

By far the largest portion of the City's net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,455,121 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole. The same situation held true for the prior eight fiscal years.

To further understand what makes up the changes in net assets, the following table provides a summary of the results of the City's operating activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For a more detailed analysis, see the Statement of Activities on Statement B of this report.

	2011	2010	Change	% Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 1,783,190	\$ 1,674,861	\$ 108,329	6.47%
Capital Grants and Contributions	765,488	905,272	(139,784)	-15.44%
General Revenues				
Taxes	3,240,162	3,252,592	(12,430)	-0.38%
Other	1,028,543	1,317,674	(289,131)	-21.94%
<b>Total Revenues</b>	<b>6,817,383</b>	<b>7,150,399</b>	<b>(333,016)</b>	<b>-4.66%</b>
<b>Expenses</b>				
Governmental Activities	5,225,732	5,298,441	(72,709)	-1.37%
Business-Type Activities	939,133	1,168,948	(229,815)	-19.66%
<b>Total Expenses</b>	<b>6,164,865</b>	<b>6,467,389</b>	<b>(302,524)</b>	<b>-4.68%</b>
<b>Change in Net Assets</b>	<b>652,518</b>	<b>683,010</b>	<b>(30,492)</b>	<b>-4.46%</b>
<b>Net Assets, Beginning of Year</b>	<b>19,929,042</b>	<b>19,246,032</b>	<b>683,010</b>	<b>3.55%</b>
<b>Net Assets, End of Year</b>	<b>\$ 20,581,560</b>	<b>\$ 19,929,042</b>	<b>\$ 652,518</b>	<b>3.27%</b>

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

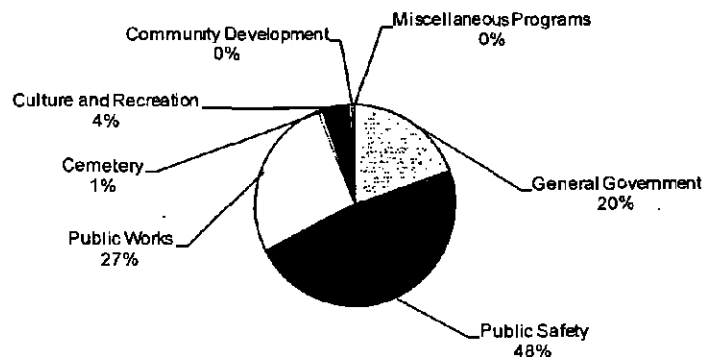
Taxes decreased by \$12,430 as a result of sales taxes decreasing by \$16,677 and property taxes increasing by \$4,247. Other general revenues decreased by \$289,131. This was due primarily to decreases in intergovernmental revenues of \$246,396 and other revenues of \$67,316 and increases in licenses and permits of \$39,645 and fines and forfeitures of \$40,058.

**Governmental Activities**

The governmental activities of the City include General Government, Public Safety, Public Works, Cemetery, Culture and Recreation, Community Development, and Miscellaneous Programs. Sales taxes, property taxes, franchise taxes, licenses, permits and fines fund most of these governmental activities.

Here we show the City's expenditures related to those functions typically associated with governments. In the chart below, General Government includes the following departments: Legislative (City Council), Judicial, Executive, Financial, Building and other General Administration. Public Safety encompasses the Police and Fire departments. Public Works is made up of the Street and Sanitation departments. Culture and Recreation contain the City's parks as well as Community Center activities. Community Development consists of Main Street and the Industrial Park.

<b>Governmental Expenditures</b>	<b>Amount</b>	<b>Percentage</b>
General Government	\$ 1,022,519	19.57%
Public Safety	2,496,765	47.78%
Public Works	1,397,380	26.74%
Cemetery	34,915	0.67%
Culture and Recreation	234,107	4.48%
Community Development	19,018	0.36%
Miscellaneous Programs	21,028	0.40%
<b>Total Governmental Activities</b>	<b>\$ 5,225,732</b>	<b>100.00%</b>

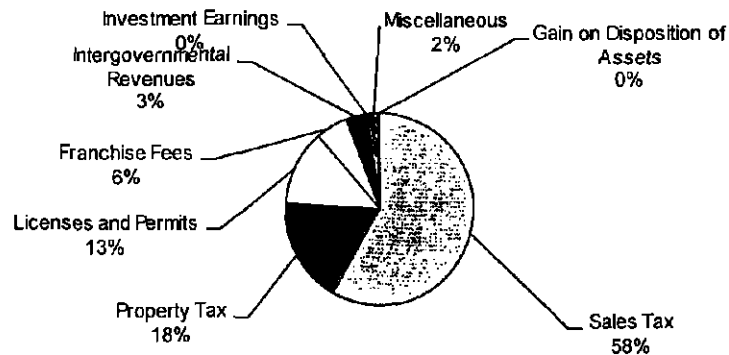


**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

General revenues are those available for the City to use to pay for the governmental activities described above.

<b>General Revenues</b>	<b>Amount</b>	<b>Percentage</b>
Sales Tax	\$ 2,482,413	58.23%
Property Tax	757,749	17.77%
Licenses and Permits	544,380	12.77%
Franchise Fees	233,376	5.47%
Intergovernmental Revenues	134,857	3.16%
Investment Earnings	17,755	0.42%
Miscellaneous	82,705	1.94%
Gain on Disposition of Assets	10,156	0.24%
<b>Total General Revenues</b>	<b>\$ 4,263,391</b>	<b>100.00%</b>



Sales taxes are the largest revenue source for the City comprising 58.23% of total general governmental revenue. Property taxes are the second largest revenue source for the City accounting for 17.77% of total general governmental revenue. For the year ended June 30, 2011, taxes of 16.52 mills were levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for police pay, fire pay and to purchase equipment for both departments.

	<b>2011</b>		<b>2010</b>	
	<b>Taxes Levied</b>	<b>Mills</b>	<b>Taxes Levied</b>	<b>Mills</b>
General Fund	\$ 296,957	6.52	\$ 295,228	6.52
Police Millage	273,273	6.00	271,681	6.00
Fire Millage	91,091	2.00	90,560	2.00
Equipment Millage	91,091	2.00	90,560	2.00
<b>Total Property Taxes Levied</b>	<b>\$ 752,412</b>	<b>16.52</b>	<b>\$ 748,029</b>	<b>16.52</b>

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

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**Business-Type Activities**

The business-type activities of the City are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. Only the City's water and sewer departments are reported here.

<b>Charges for Services</b>	<b>Water</b>	<b>Sewer</b>
Fiscal Year Ended June 30, 2011	\$ 316,829	\$ 876,236
Fiscal Year Ended June 30, 2010	301,987	828,836
	<u>                    </u>	<u>                    </u>
(Increase) Decrease Between Years	\$ (14,842)	\$ (47,400)
	<u>                    </u>	<u>                    </u>
<b>Operating Expenses</b>	<b>Water</b>	<b>Sewer</b>
Fiscal Year Ended June 30, 2011	\$ 310,972	\$ 618,846
Fiscal Year Ended June 30, 2010	345,502	809,126
	<u>                    </u>	<u>                    </u>
Increase (Decrease) Between Years	\$ (34,530)	\$ (190,280)
	<u>                    </u>	<u>                    </u>

**2. FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- A. Governmental funds are used to account for most of the City's basic services and are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds, and the balances left at year end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on Statements D and F.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and 1965 Sales Tax Fund, which are considered to be major funds. Data from the other governmental funds (Mausoleum Trust Fund, Fireman Pay Millage Fund, Policeman Pay Millage Fund, Equipment Millage Fund, and Cemetery Endowment Fund) are combined into a single, aggregated presentation. These basic governmental fund financial statements can be found on Statements C and E of this report. The summary of the non-major funds is found on Schedules 3 and 4.

**Financial Analysis of the Governmental Funds**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,244,805, an increase of \$243,672 from June 30, 2010. In the General Fund, the unassigned fund balance is \$3,934,826 as is shown in Statement C.

At June 30, 2011, the City has fund balance of \$919,749 in the 1965 Sales Tax Fund to provide for constructing, acquiring, extending, improving and or maintain drainage facilities, streets, sidewalks, public buildings; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities; and maintaining and operating garbage collection facilities.

The amounts in the Police and Fire Department Millage funds have been earmarked by public election to be used only towards salaries in these departments. The total amount collected this fiscal year will be transferred to the General Fund in the next fiscal year to pay a portion of the total salaries of the City's police and firemen. In addition, monies in the Equipment Millage Fund are only to be spent on equipment for the police and fire departments.

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

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Fund Balance in the City's Major Funds:

<b>Fund Balance Date</b>	<b>General Fund</b>	<b>1965 Sales Tax Fund</b>
June 30, 2011	\$ 3,934,826	\$ 919,749
June 30, 2010 (as restated)	3,673,451	952,092
<b>Change in Fund Balance</b>	<b>\$ 261,375</b>	<b>\$ (32,343)</b>

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Other Supplemental Information portion of this report, beginning on Schedule 3.

- B. Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on Statements G, H and I.

### **3. NOTES TO FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on the pages indicated in the table of contents.

### **4. SUPPLEMENTAL INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information and certain other supplemental information. Required supplemental information can be found beginning on Schedule 1 of this report.

- A. Budgetary Comparison Information - The City adopts an annual appropriated budget for its general fund, sales tax fund, and millage funds for police and fire department pay, as well as for equipment for both departments. A budgetary comparison statement has been provided for the City's major funds to demonstrate compliance, beginning on Schedule 1.

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

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- B. Significant variations from the general fund's original budget amounts and final budget amounts are as follows:
- Intergovernmental revenues were decreased by \$1,121,450 due to a decrease in expected grant revenues.
  - Public Works expenditures decreased by \$1,549,280 due to a decrease in various expected expenditures.

There were no significant variations between the general fund's final budget amounts and actual amounts.

Combining Statements of the Non-Major Governmental Funds - Special Revenue Funds (Mausoleum Trust Fund, Fireman Pay Millage Fund, Policeman Pay Millage Fund, and Equipment Millage Fund), and the Permanent Fund (Cemetery Endowment) have been provided beginning on Schedule 3.

**Capital Asset and Debt Administration**

**1. Capital Assets**

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2011, in its governmental activities is \$6,030,337 and in business-type activities is \$7,827,251 which totals \$13,857,588 for the City. Capital assets includes land, construction in progress, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total change in the City's capital assets for the current fiscal year was a \$395,316 decrease for governmental activities and a \$332,223 increase for business-type activities.

Major capital asset additions during the current fiscal year included the following:

- A. Police vehicles were added at a cost of \$126,314.
- B. Construction on sewer system improvements and water well and tower improvements were \$523,973.

Additional information on the City's capital assets can be found in Note 6.

**CITY OF PONCHATOULA, LOUISIANA**  
**For the Year Ended June 30, 2011**

**Management's Discussion and Analysis**

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**2. Long-Term Debt**

At the end of the current fiscal year, the City had total bond debt outstanding of \$104,000 payable from a pledge of the City's sewer revenues.

The City's total bond debt decreased during the current fiscal year in the amount of \$143,000 made in principal payments toward the outstanding debt.

Additional information on the City's long-term debt can be found in Note 9.

**3. Capital Leases**

At the end of the current fiscal year, the City had capital leases outstanding of \$144,743. The entire amount of the leases was used to purchase new police vehicles. Additional information concerning this lease can be found in Note 9.

**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the City's budget for the 2011 fiscal year:

Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing FY 2011's collections, it was noted that overall receipts were very near the budget projection. Inasmuch, next year's projected collections remained relatively the same.

The City expects to continue receiving federal funding to complete construction projects begun during 2010. These projects include sewer improvements and water well and tower improvements.

During the budget planning process, funds have been designated for certain capital outlays. Those outlays include setting aside Equipment Millage funds for a new fleet of police vehicles as well as funds for improvements to our sewer and water infrastructure.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cheryl Hoover, Finance Manager, 125 West Hickory Street, Ponchatoula, Louisiana 70454.



**BASIC FINANCIAL STATEMENTS**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF PONCHATOULA, LOUISIANA**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,234,652	\$ 1,119,337	\$ 4,353,989
Investments	2,041,138	396,279	2,437,417
Receivables, Net	157,133	116,784	273,917
Internal Balances	(1,887)	1,887	-
Restricted Cash and Cash Equivalents	-	272,152	272,152
Restricted Investments	-	207,305	207,305
Capital Assets, Net	6,030,337	7,827,251	13,857,588
Other Assets	-	1,242	1,242
<b>Total Assets</b>	<b>11,461,373</b>	<b>9,942,237</b>	<b>21,403,610</b>
<b>Liabilities</b>			
Accounts Payable	64,597	83,367	147,964
Accrued Liabilities	121,634	31,867	153,501
Non-Current Liabilities			
Due Within One Year	80,071	104,000	184,071
Due in More than One Year	64,672	-	64,672
Utility Meter Deposits	-	271,842	271,842
<b>Total Liabilities</b>	<b>330,974</b>	<b>491,076</b>	<b>822,050</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,885,594	7,827,251	13,712,845
Restricted for:			
Cemetery/Mausoleum	93,887	-	93,887
Debt Service	-	45,005	45,005
Meter Deposits	-	58,610	58,610
Dedicated Sales Tax Usage	919,749	-	919,749
Dedicated Ad Valorem Tax Usage	296,343	-	296,343
Unrestricted Net Assets	3,934,826	1,520,295	5,455,121
<b>Total Net Assets</b>	<b>\$ 11,130,399</b>	<b>\$ 9,451,161</b>	<b>\$ 20,581,560</b>

The accompanying notes are an integral part of these financial statements.

## Statement B

**CITY OF PONCHATOULA, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Governmental Activities</b>						
General Government	\$ 1,022,519	\$ -	\$ -	\$ 158,627	\$ (863,892)	\$ -
Public Safety	2,496,765	205,734	-	53,111	(2,237,920)	-
Public Works	1,397,380	384,391	-	-	(1,012,989)	-
Cemetery	34,915	-	-	-	(34,915)	-
Culture and Recreation	234,107	-	-	-	(234,107)	-
Community Development	19,018	-	-	-	(19,018)	-
Miscellaneous Programs	21,028	-	-	-	(21,028)	-
<b>Total Governmental Activities</b>	<b>5,225,732</b>	<b>590,125</b>	<b>-</b>	<b>211,738</b>	<b>(4,423,869)</b>	<b>-</b>
<b>Business-Type Activities</b>						
Water	310,972	316,829	-	335,912	-	341,789
Sewer	618,846	876,238	-	217,858	-	475,228
Interest on Long-Term Debt	9,315	-	-	-	-	(9,315)
<b>Total Business-Type Activities</b>	<b>939,133</b>	<b>1,193,065</b>	<b>-</b>	<b>553,750</b>	<b>-</b>	<b>807,682</b>
<b>Total</b>	<b>\$ 6,164,865</b>	<b>\$ 1,783,190</b>	<b>\$ -</b>	<b>\$ 765,488</b>	<b>(4,423,869)</b>	<b>807,682</b>
<b>General Revenues</b>						
Taxes						
Sales Tax					2,482,413	-
Property Tax					757,749	-
Licenses and Permits					544,380	-
Franchise Fees					233,376	-
Intergovernmental Revenues					134,857	-
Investment Earnings					17,755	5,939
Miscellaneous					82,705	-
Gain (Loss) on Disposition of Assets					10,156	(625)
<b>Total General Revenues</b>					<b>4,263,391</b>	<b>5,314</b>
<b>Change in Net Assets</b>					<b>(160,478)</b>	<b>812,996</b>
<b>Net Assets, Beginning of Year</b>					<b>11,290,877</b>	<b>8,638,165</b>
<b>Net Assets, End of Year</b>					<b>\$ 11,130,399</b>	<b>\$ 9,451,161</b>

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS**  
**FUND FINANCIAL STATEMENTS**

## Statement C

**CITY OF PONCHATOULA, LOUISIANA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>Special Revenue</u>			
	<u>General</u>	<u>1965</u>	<u>Non-Major</u>	<u>Total</u>
	<u>Fund</u>	<u>Sales Tax</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,673,249	\$ 228,115	\$ 333,288	\$ 3,234,652
Investments	1,168,735	791,967	80,436	2,041,138
Receivables, Net				
Franchise Taxes	57,148	-	-	57,148
Garbage Collection Fees	50,379	-	-	50,379
Other Receivables	49,606	-	-	49,606
Due from Other Funds	123,117	-	-	123,117
<b>Total Assets</b>	<b>\$ 4,122,234</b>	<b>\$ 1,020,082</b>	<b>\$ 413,724</b>	<b>\$ 5,556,040</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 63,887	\$ 710	\$ -	\$ 64,597
Accrued Liabilities	121,634	-	-	121,634
Due to Other Funds	1,887	99,623	23,494	125,004
<b>Total Liabilities</b>	<b>187,408</b>	<b>100,333</b>	<b>23,494</b>	<b>311,235</b>
<b>Fund Balances</b>				
Nonspendable	-	-	53,235	53,235
Restricted, Reported in				
Special Revenue Funds	-	919,749	336,995	1,256,744
Unassigned	3,934,826	-	-	3,934,826
<b>Total Fund Balances</b>	<b>3,934,826</b>	<b>919,749</b>	<b>390,230</b>	<b>5,244,805</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,122,234</b>	<b>\$ 1,020,082</b>	<b>\$ 413,724</b>	<b>\$ 5,556,040</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PONCHATOULA, LOUISIANA**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Assets**  
**June 30, 2011**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>5,244,805</b>
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	14,092,370
Less: Accumulated Depreciation	(8,062,033)

Long-term liabilities, including capital leases, are not due and payable in the  
current period and, therefore, are not reported in the governmental funds.

Capital Leases	<u>(144,743)</u>
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<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>11,130,399</u></b>
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The accompanying notes are an integral part of these financial statements.

## Statement E

**CITY OF PONCHATOU LA, LOUISIANA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	Special Revenue 1965 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes				
Sales Taxes	\$ 1,241,207	\$ 1,241,206	\$ -	\$ 2,482,413
Property Taxes	304,318	-	453,431	757,749
Intergovernmental Revenue	346,595	-	-	346,595
Licenses and Permits	544,380	-	-	544,380
Sanitation Service Fees	384,391	-	-	384,391
Franchise Fees	233,376	-	-	233,376
Fines and Forfeitures	205,734	-	-	205,734
Other Revenues	78,405	-	4,300	82,705
Interest Income	13,908	2,992	855	17,755
<b>Total Revenues</b>	<b>3,352,314</b>	<b>1,244,198</b>	<b>458,586</b>	<b>5,055,098</b>
<b>Expenditures</b>				
Current				
General Government	965,419	9,341	-	974,760
Public Safety	2,428,600	-	206,202	2,634,802
Public Works	1,128,823	-	-	1,128,823
Cemetery	34,908	-	-	34,908
Culture and Recreation	161,209	-	-	161,209
Community Development	8,332	-	-	8,332
Miscellaneous Programs	19,605	-	-	19,605
<b>Total Expenditures</b>	<b>4,746,896</b>	<b>9,341</b>	<b>206,202</b>	<b>4,962,439</b>
<b>(Deficiency) Excess of Revenues (Under) Over Expenditures</b>	<b>(1,394,582)</b>	<b>1,234,857</b>	<b>252,384</b>	<b>92,659</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,631,258	-	-	1,631,258
Transfers Out	-	(1,267,200)	(364,058)	(1,631,258)
Sale of Capital Assets	24,699	-	-	24,699
Capital Lease Proceeds	-	-	126,314	126,314
<b>Total Other Financing Sources (Uses)</b>	<b>1,655,957</b>	<b>(1,267,200)</b>	<b>(237,744)</b>	<b>151,013</b>
<b>Changes in Fund Balances</b>	<b>261,375</b>	<b>(32,343)</b>	<b>14,640</b>	<b>243,672</b>
<b>Fund Balances, Beginning of Year - As Previously Reported</b>	<b>2,602,332</b>	<b>952,092</b>	<b>375,590</b>	<b>3,930,014</b>
<b>Adjustment for Change in Reporting Entity</b>	<b>1,071,119</b>	<b>-</b>	<b>-</b>	<b>1,071,119</b>
<b>Fund Balances, Beginning of Year - Restated</b>	<b>3,673,451</b>	<b>952,092</b>	<b>375,590</b>	<b>5,001,133</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,934,826</b>	<b>\$ 919,749</b>	<b>\$ 390,230</b>	<b>\$ 5,244,805</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PONCHATOULA, LOUISIANA**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

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**Amounts reported for governmental activities in the Statement of Activities**  
**are different because:**

Changes in Fund Balances - Total Governmental Funds	\$ 243,672
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which depreciation charged in the current period exceeded capital outlay.	(380,771)
Losses on the disposal of assets reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(14,543)
Capital lease proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the Statement of Activities.	(126,314)
Repayment of bonds, certificates of indebtedness and capital lease obligations is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>117,478</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ (160,478)</u></u>

The accompanying notes are an integral part of these financial statements.



## Statement G

**CITY OF PONCHATOULA, LOUISIANA**  
**Statements of Net Assets**  
**Proprietary Funds**  
**June 30, 2011 and 2010**

Assets	Business-Type Activities Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2011	2010
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 274,294	\$ 845,043	\$ 1,119,337	\$ 763,772
Investments	320,514	75,765	396,279	394,772
Accounts Receivable, Net	20,720	96,064	116,784	95,581
Grants Receivable	-	-	-	120,959
Due from Other Funds	485	1,402	1,887	332,335
<b>Total Current Assets</b>	<b>616,013</b>	<b>1,018,274</b>	<b>1,634,287</b>	<b>1,707,419</b>
<b>Non-Current Assets</b>				
<b>Restricted Assets</b>				
Cash and Cash Equivalents				
Water Fund - Meter Deposit	123,147	-	123,147	5,129
Sewer Fund - Revenue	-	25,900	25,900	25,900
Sewer Fund - Sinking	-	67,913	67,913	67,655
Sewer Fund - Renewal and Replacement	-	55,192	55,192	55,076
Investments				
Water Fund - Meter Deposit	207,305	-	207,305	206,934
<b>Total Restricted Assets</b>	<b>330,452</b>	<b>149,005</b>	<b>479,457</b>	<b>360,694</b>
<b>Capital Assets</b>				
Property, Plant and Equipment, at Cost	3,891,636	8,449,096	12,340,732	11,927,957
Less: Accumulated Depreciation	(1,384,857)	(3,273,809)	(4,658,666)	(4,578,114)
Land	142,015	3,170	145,185	145,185
<b>Total Capital Assets</b>	<b>2,648,794</b>	<b>5,178,457</b>	<b>7,827,251</b>	<b>7,495,028</b>
<b>Other Assets</b>				
Bond Issuance Costs	-	15,559	15,559	15,559
Less: Accumulated Amortization	-	(14,317)	(14,317)	(12,475)
<b>Total Other Assets</b>	<b>-</b>	<b>1,242</b>	<b>1,242</b>	<b>3,084</b>
<b>Total Assets</b>	<b>3,595,259</b>	<b>6,346,978</b>	<b>9,942,237</b>	<b>9,566,225</b>

The accompanying notes are an integral part of these financial statements.

## Statement G (Continued)

**CITY OF PONCHATOULA, LOUISIANA**  
**Statements of Net Assets**  
**Proprietary Funds**  
**June 30, 2011 and 2010**

Liabilities	Business-Type Activities Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2011	2010
<b>Current Liabilities</b>				
<b>(Payable from Current Assets)</b>				
Accounts Payable	36,437	46,930	83,367	393,850
Accrued Liabilities	11,909	19,958	31,867	25,035
<b>Total Current Liabilities</b>				
<b>(Payable from Current Assets)</b>	48,346	66,888	115,234	418,885
<b>Current Liabilities</b>				
<b>(Payable from Restricted Assets)</b>				
Meter Deposits	271,842	-	271,842	262,175
Revenue Bonds	-	104,000	104,000	143,000
<b>Total Current Liabilities</b>				
<b>(Payable from Restricted Assets)</b>	271,842	104,000	375,842	405,175
<b>Long-Term Liabilities</b>				
Revenue Bonds Payable	-	-	-	104,000
<b>Total Long-Term Liabilities</b>	-	-	-	104,000
<b>Total Liabilities</b>	320,188	170,888	491,076	928,060
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,648,794	5,178,457	7,827,251	7,391,028
Restricted for:				
Debt Service	-	45,005	45,005	5,631
Meter Deposits	58,610	-	58,610	(50,112)
Unrestricted Net Assets	567,667	952,628	1,520,295	1,291,618
<b>Total Net Assets</b>	\$ 3,275,071	\$ 6,176,090	\$ 9,451,161	\$ 8,638,165

The accompanying notes are an integral part of these financial statements.

**CITY OF PONCHATOULA, LOUISIANA**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Years Ended June 30, 2011 and 2010**

	Business-Type Activities Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2011	2010
<b>Operating Revenues</b>				
Charges for Services	\$ 316,829	\$ 876,236	\$ 1,193,065	\$ 1,130,823
<b>Total Operating Revenues</b>	<b>316,829</b>	<b>876,236</b>	<b>1,193,065</b>	<b>1,130,823</b>
<b>Operating Expenses</b>				
Depreciation and Amortization	63,569	184,798	248,367	250,021
Salaries and Employee Benefits	75,506	138,173	213,679	243,384
Repairs and Maintenance	53,303	147,032	200,335	379,442
Utilities and Telephone	50,336	92,970	143,306	120,535
Supplies	31,133	22,375	53,508	76,929
Professional Fees	13,885	9,855	23,740	31,559
Environmental Testing	7,059	14,820	21,879	33,225
Insurance	13,034	4,521	17,555	15,715
Vehicle Expense	2,080	2,934	5,014	2,657
Miscellaneous	1,067	1,368	2,435	1,161
<b>Total Operating Expenses</b>	<b>310,972</b>	<b>618,846</b>	<b>929,818</b>	<b>1,154,628</b>
<b>Operating Income (Loss)</b>	<b>5,857</b>	<b>257,390</b>	<b>263,247</b>	<b>(23,805)</b>
<b>Non-Operating Revenues (Expenses)</b>				
Investment Interest	4,328	1,611	5,939	3,926
Capital Grants	335,912	217,838	553,750	693,534
Interest Expense	-	(9,315)	(9,315)	(14,320)
Loss on Sale of Assets	(394)	(231)	(625)	15,000
<b>Total Non-Operating Revenues (Expenses)</b>	<b>339,846</b>	<b>209,903</b>	<b>549,749</b>	<b>698,140</b>
<b>Changes in Net Assets</b>	<b>345,703</b>	<b>467,293</b>	<b>812,996</b>	<b>674,335</b>
<b>Net Assets, Beginning of Year</b>	<b>2,929,368</b>	<b>5,708,797</b>	<b>8,638,165</b>	<b>7,963,830</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,275,071</b>	<b>\$ 6,176,090</b>	<b>\$ 9,451,161</b>	<b>\$ 8,638,165</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF PONCHATOULA, LOUISIANA**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**For the Years Ended June 30, 2011 and 2010**

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2011	2010
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 327,707	\$ 853,822	\$ 1,181,529	\$ 1,148,754
Payments to Suppliers	(393,783)	(384,472)	(778,255)	(672,422)
Payments to Employees	(73,632)	(133,215)	(206,847)	(237,560)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(139,708)</b>	<b>336,135</b>	<b>196,427</b>	<b>238,772</b>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Interfund Transfers and Borrowings	70,037	260,411	330,448	(336,388)
<b>Net Cash Provided by (Used in) Non-Capital Financing Activities</b>	<b>70,037</b>	<b>260,411</b>	<b>330,448</b>	<b>(336,388)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Construction of Capital Assets	(269,975)	(309,397)	(579,372)	(638,903)
Capital Grants	335,912	338,796	674,708	572,575
Proceeds from Sale of Capital Assets	-	-	-	15,000
Principal Paid on Revenue Bonds	-	(143,000)	(143,000)	(141,000)
Interest Paid on Revenue Bonds	-	(9,315)	(9,315)	(14,320)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>65,937</b>	<b>(122,916)</b>	<b>(56,979)</b>	<b>(206,648)</b>
<b>Cash Flows from Investing Activities</b>				
Interest Earned on Investments	4,328	1,611	5,939	3,926
Sale (Purchase) of Investments, Net	(1,742)	(136)	(1,878)	198,907
<b>Net Cash Provided by Investing Activities</b>	<b>2,586</b>	<b>1,475</b>	<b>4,061</b>	<b>202,833</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,148)</b>	<b>475,105</b>	<b>473,957</b>	<b>(101,431)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>398,589</b>	<b>518,943</b>	<b>917,532</b>	<b>1,018,963</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 397,441</b>	<b>\$ 994,048</b>	<b>\$ 1,391,489</b>	<b>\$ 917,532</b>
<b>Cash and Cash Equivalents Reconciliation</b>				
Unrestricted Cash and Cash Equivalents	\$ 274,294	\$ 845,043	\$ 1,119,337	\$ 763,772
Restricted Cash and Cash Equivalents	123,147	149,005	272,152	153,760
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 397,441</b>	<b>\$ 994,048</b>	<b>\$ 1,391,489</b>	<b>\$ 917,532</b>

The accompanying notes are an integral part of these financial statements.

## Statement I (Continued)

**CITY OF PONCHATOULA, LOUISIANA**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**For the Years Ended June 30, 2011 and 2010**

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2011	2010
<b>Reconciliation of Operating Income to Net Cash</b>				
<b>Provided by Operating Activities</b>				
Operating Income (Loss)	\$ 5,857	\$ 257,390	\$ 263,247	\$ (23,805)
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided by (Used in) Operating Activities				
Depreciation and Amortization	63,569	184,798	248,367	250,021
(Increase) Decrease in:				
Accounts Receivable	1,211	(22,414)	(21,203)	25,578
Increase (Decrease) in:				
Accounts Payable	(221,886)	(88,597)	(310,483)	(11,199)
Accrued Liabilities	1,874	4,958	6,832	5,824
Customer Deposits	9,667	-	9,667	(7,647)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (139,706)</b>	<b>\$ 336,135</b>	<b>\$ 196,427</b>	<b>\$ 238,772</b>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Interest Paid	\$ -	\$ 9,315	\$ 9,315	\$ 14,320

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

##### Introduction

The City of Ponchatoula, Louisiana (the City) was first incorporated on February 12, 1861. Upon the City's acceptance of the provisions of Act 136 enacted on July 29, 1898, it became governed under the Lawrason Act. The City operates under a Mayor-City Council form of government. The Mayor is elected for a four-year term. The City Council consists of five council members, each elected from a separate district in the City and each serving a four-year term of office. The Mayor and each member of the City Council are compensated for their service to the City. The City is located north of New Orleans, Louisiana, and east of Baton Rouge, Louisiana, at the intersections of Interstate Highway 55 and Interstate Highway 12. The population of the City, according to the most recent census taken in 2000, is 5,180. The current number of commercial and residential utility customers served is 3,692. The City provides the following services: public safety (police and fire), streets, drainage, sanitation, culture/recreation, public improvements, planning and zoning and general and administrative services. Other services include water and sewer utilities. The City presently maintains 38 miles of roads and streets.

The accounting and reporting policies of the City conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes (LRS) 24:513 and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

##### Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization's board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the City.
- There is a fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City has no component units.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Basic Financial Statements - Government-Wide Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety (police and fire), streets, drainage, sanitation, culture/recreation, public improvements, planning and zoning and general and administrative services are classified as governmental activities. The City's water and sewer utility services are classified as business-type activities.

*Statement of Net Assets* - In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

*Statement of Activities* - The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants and contributions.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

##### **Basic Financial Statements - Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.



## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Basic Financial Statements - Fund Financial Statements (Continued)**

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

*Governmental Funds* - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these governmental funds and fund types:

**General Fund** - The General Fund is the general operating fund of the City. This fund is used to account for and report all financial transactions and resources except for those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services and interest income.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to expenditure for specified purposes. The 1965 Sales Tax Fund is considered to be a major fund. The Fireman Pay Millage Fund, Policeman Pay Millage Fund, Equipment Millage Fund and Mausoleum Trust Fund are considered to be non-major funds.

**Permanent Fund** - Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs. The Cemetery Endowment Fund is considered to be a non-major fund for reporting purposes.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Basic Financial Statements - Fund Financial Statements (Continued)

*Proprietary Funds* - Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business-type activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services as well as materials, contracts, personnel, and dedication. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

*Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. The City's Water Enterprise Fund and Sewer Enterprise Fund account for the operations of providing water services and sewer services, respectively.

##### Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds, including General, Special Revenue, and Permanent Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Capital assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Basis of Accounting (Continued)**

The fund financial statements of the General, Special Revenue, and Permanent Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The Statements of Net Assets, Statements of Activities, financial statements of the Proprietary Funds and Fiduciary Funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

##### **Budgets and Budgetary Accounting**

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their budgets over the course of the year for a variety of reasons. As a result, the City's original budget is shown along with the comparison of the final budget and actual results.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Mayor, with the assistance of the Finance Manager, prepares a proposed budget and submits this budget to the City Council no later than fifteen days prior to the beginning of each fiscal year.
- A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2011, was published timely in the official journal of the City.
- A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing was held on the proposed budget for the year ended June 30, 2011, on June 14, 2010.

## **CITY OF PONCHATOULA, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Budgets and Budgetary Accounting (Continued)**

- After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted. The proposed budget for the year ended June 30, 2011, was adopted on June 14, 2010.
- Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council. The budget for the year ended June 30, 2011, was amended on June 20, 2011.
- Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General and Special Revenue Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

##### **Financial Statement Accounts**

*Cash and Investments* - Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the City may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash. Investments are stated at fair value using published market values.

*Allowance for Uncollectible Accounts* - The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Financial Statement Accounts (Continued)

*Short-Term Interfund Receivables/Payables* - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from/due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

*Inventory* - The City utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City did not record any inventory at June 30, 2011, as the amount is immaterial.

*Restricted Assets* - Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Applicable bond covenants include adequacy of (1) sewer rates and coverage requirements; (2) annual review of user fees; (3) records, accounts and annual audit requirements; (4) insurance and fidelity bonds; and (5) various miscellaneous covenants regarding appointment of engineer, utilization of funds and other provisions.

Assets of the Cemetery Endowment Fund are legally restricted to the extent that only earnings, and not principal may be used.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

*Capital Assets* - Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the City has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2011, was immaterial.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Financial Statement Accounts (Continued)**

Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Infrastructure is capitalized by estimate using current replacement cost for a similar asset and deflating this cost through the use of price indices to the acquisition year. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

*Compensated Absences* - The City's policy is to allow employees' vacation pay based on employee classification and length of service. Sick leave is provided for by the City but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the City's service. The current portions of the governmental funds' compensated absences liabilities are recorded as accrued liabilities in the General, Special Revenue and Enterprise Funds.

*Long-Term Obligations* - In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

##### *Fund Equity*

Government-Wide and Proprietary Fund Net Assets - Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Financial Statement Accounts (Continued)

- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental Fund Balances - During fiscal year ended June 30, 2011, the City adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balance in the balance sheets of governmental type funds.

In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable Fund Balance - amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
2. Restricted Fund Balance - amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
3. Unassigned Fund Balance - all amounts not included in other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available.

*Interfund Transactions* - Permanent re-allocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

*Sales and Use Taxes* - Sales taxes are collected by the Tangipahoa Parish School Board (the School Board) and remitted to the City in the month following the receipt by the School Board.

- The original 1965 1% sales and use tax passed by the voters is to be used for extending, acquiring, maintaining, constructing, and improving drainage, streets, sidewalks, public buildings, fire department stations and equipment, and maintaining and operating garbage collection facilities. There is no expiration date on this sales and use tax.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Financial Statement Accounts (Continued)

- The additional 1982 1% sales and use tax passed by the voters is to be used for extending, acquiring, maintaining, constructing, and improving sewers and sewer facilities, waterworks facilities, drainage and drain facilities, and for any other lawful corporate purpose of the City. There is no expiration date on this sales and use tax.

*Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Note 2. Stewardship, Compliance and Accountability

##### Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The City was in compliance with the Local Budget Act. See Note 1 for the procedures the City follows regarding budgets and budgetary accounting.

##### Deposits, Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. As reflected in Note 3 regarding cash and cash equivalents, and Note 4 regarding investments, the City was in compliance with the deposit and investment laws and regulations.

##### Deficit Fund Balance

As of June 30, 2011, no City funds had deficit fund balances.

##### Compliance with Bond Covenants

*Compliance with Sewer Revenue Refunding Bond Covenants* - As of June 30, 2011, the City was in compliance with all Sewer Revenue Refunding Bond Covenants. See Note 11 for a further discussion of the Sewer Revenue Refunding Bond Covenants.



## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 3. Cash and Cash Equivalents

At June 30, 2011, the City has \$4,626,141 (book balance) in interest-bearing demand deposits as follows:

	Government-Wide Statement of Net Assets
Cash and Cash Equivalents	\$ 4,353,989
Restricted Cash and Cash Equivalents	<u>272,152</u>
<b>Total Interest Bearing Deposits</b>	<b><u>\$ 4,626,141</u></b>

These deposits are stated at cost, which approximates market.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$4,558,768 of the City's bank balance of \$4,808,768 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the City and the fiscal agent bank.

Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

#### Note 4. Investments

At June 30, 2011, the City has investments which include \$2,237,333 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool, and \$407,389 in other securities.

In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 4. Investments (Continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk and foreign currency risk for all public entity investments.

LAMP is a money market-like investment pool. The following facts are relevant for money market-like investment pools:

*Credit risk:* LAMP is rated AAAM by Standard & Poor's.

*Custodial credit risk:* LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

*Concentration of credit risk:* Pooled investments are excluded from the 5 percent disclosure requirement.

*Interest rate risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days.

*Foreign currency risk:* Not applicable to money market-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

**Note 4. Investments (Continued)**

**Credit Risk**

<b>Investment</b>	<b>Rating</b>	<b>Percentage</b>
LAMP	AAAm	85%
Fannie Mae (FNMA) Step-Up Call	AAA/Aaa/AAA	15%

The City does not have a formal investment policy regarding investment credit risk.

**Concentration of Credit Risk**

The City has no formal limit on the amount the City may invest in any one issuer. More than 5% of the City's investments are in Fannie Mae Step-Up Notes. These investments are 15% of the City's total investments.

**Interest Rate Risk**

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
FNMA Step-Up Call	7/15/2014	\$ 100,978
FNMA Step-Up Call	10/15/2015	105,163
FNMA Step-Up Call	5/16/2016	100,624
FNMA Step-Up Call	5/16/2016	<u>100,624</u>
<b>Total</b>		<b><u>\$ 407,389</u></b>

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Note 5. Utility Accounts Receivable**

At June 30, 2011, the City had the following utility receivables and corresponding allowance for doubtful accounts:

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	
	<b>Garbage Collection</b>	<b>Water Collection</b>	<b>Sewer Collection</b>
Receivable	\$ 83,251	\$ 53,444	\$ 143,985
Allowance for Doubtful Accounts	<u>(32,872)</u>	<u>(32,724)</u>	<u>(47,921)</u>
<b>Receivable, Net</b>	<b><u>\$ 50,379</u></b>	<b><u>\$ 20,720</u></b>	<b><u>\$ 96,064</u></b>

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

### Note 6. Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the fiscal year ended June 30, 2011.

	Balance July 1, 2010	Restated Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<b>Governmental Activities</b>					
<b>Capital Assets Not Being Depreciated</b>					
Construction in Progress	\$ 9,824	\$ 9,824	\$ -	\$ -	\$ 9,824
<b>Capital Assets Being Depreciated</b>					
Athletic Park	52,690	-	-	-	-
Building Official	34,059	34,059	-	(3,484)	30,575
Cemetery	3,355	3,355	-	(3,355)	-
City Hall	1,203,570	1,203,570	9,013	(47,046)	1,165,537
Civil Defense	22,680	22,680	-	(5,790)	16,890
Community Center	1,306,594	1,306,594	-	(23,513)	1,283,081
Executive (Mayor)	6,000	6,000	1,218	-	7,218
Fire	495,126	495,126	13,044	(76,579)	431,591
Industrial Park	565,059	565,059	-	-	565,059
Judicial	48,443	44,345	-	(4,153)	40,192
Main Street Program	2,750	2,750	1,275	(250)	3,775
Miscellaneous Programs	261,385	128,135	-	(1,526)	126,609
Parks	249,185	426,727	-	(850)	425,877
Police	848,425	852,522	132,904	(73,960)	911,466
Public Works	111,781	101,314	1,150	(970)	101,494
Building - Sanitation	75,968	75,968	-	-	75,968
Streets Roadways	1,675,816	1,694,682	20,855	(58,077)	1,657,460
Infrastructure	7,239,754	7,239,754	-	-	7,239,754
<b>Total Capital Assets Being Depreciated</b>	<b>14,202,640</b>	<b>14,202,640</b>	<b>179,459</b>	<b>(299,553)</b>	<b>14,082,546</b>
<b>Less Accumulated Depreciation for:</b>					
Athletic Park	(21,722)	-	-	-	-
Building Official	(15,070)	(15,070)	(3,536)	2,416	(16,190)
Cemetery	(1,258)	(1,258)	(7)	1,265	-
City Hall	(558,738)	(558,738)	(42,923)	45,073	(556,588)
Civil Defense	(22,026)	(22,026)	(109)	5,790	(16,345)
Community Center	(753,399)	(753,399)	(51,448)	23,459	(781,388)
Executive (Mayor)	(1,785)	(1,785)	(1,101)	-	(2,886)
Fire	(271,378)	(271,378)	(15,826)	76,550	(210,654)
Industrial Park	(180,139)	(180,139)	(10,686)	-	(190,825)
Judicial	(16,292)	(13,852)	(10,324)	3,967	(20,209)
Main Street Program	(2,750)	(2,750)	(425)	250	(2,925)
Miscellaneous Programs	(140,472)	(35,108)	(2,698)	925	(36,881)
Parks	(76,174)	(200,334)	(21,450)	850	(220,934)
Police	(462,003)	(464,441)	(109,562)	67,696	(506,307)
Public Works	(52,789)	(42,410)	(7,466)	383	(49,493)
Building - Sanitation	(17,567)	(17,567)	(1,900)	-	(19,467)
Streets Roadways	(619,498)	(632,805)	(65,328)	56,386	(641,747)
Infrastructure	(4,573,751)	(4,573,751)	(215,443)	-	(4,789,194)
<b>Total Accumulated Depreciation</b>	<b>(7,786,811)</b>	<b>(7,786,811)</b>	<b>(560,232)</b>	<b>285,010</b>	<b>(8,062,033)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>6,415,829</b>	<b>6,415,829</b>	<b>(380,773)</b>	<b>(14,543)</b>	<b>6,020,513</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 6,425,653</b>	<b>\$ 6,425,653</b>	<b>\$ (380,773)</b>	<b>\$ (14,543)</b>	<b>\$ 6,030,337</b>

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

### Note 6. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 57,992
Public Safety	125,389
Public Works	290,562
Cemetery	7
Culture and Recreation	72,898
Community Development	10,686
Miscellaneous Programs	2,698
<b>Total</b>	<b>\$ 560,232</b>

The following is a summary of changes in capital assets for business-type activities for fiscal year ended June 30, 2011.

	Balance July 1, 2010	Restated Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<b>Business-Type Activities</b>					
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 145,185	\$ 145,185	-	\$ -	\$ 145,185
Construction in Progress	1,032,752	1,032,752	523,973	-	1,556,725
<b>Total Capital Assets Not Being Depreciated, Net</b>	<b>1,177,937</b>	<b>1,177,937</b>	<b>523,973</b>	<b>-</b>	<b>1,701,910</b>
<b>Capital Assets Being Depreciated</b>					
Sewer Utility	5,046,125	5,044,396	-	(38,261)	5,006,135
Wastewater Treatment	2,624,439	2,626,169	-	(103,440)	2,522,729
Water Administration	2,964,192	2,962,599	55,400	(23,625)	2,994,374
Water Utility	260,449	262,042	-	(1,272)	260,770
<b>Total Capital Assets Being Depreciated</b>	<b>10,895,205</b>	<b>10,895,206</b>	<b>55,400</b>	<b>(165,598)</b>	<b>10,784,008</b>
<b>Less Accumulated Depreciation for:</b>					
Sewer Utility	(1,985,137)	(1,984,255)	(111,495)	38,030	(2,057,720)
Wastewater Treatment	(1,247,186)	(1,248,068)	(71,460)	103,440	(1,216,088)
Water Administration	(1,266,918)	(1,266,724)	(52,835)	23,230	(1,296,329)
Water Utility	(78,873)	(79,068)	(10,734)	1,272	(88,530)
<b>Total Accumulated Depreciation</b>	<b>(4,578,114)</b>	<b>(4,578,115)</b>	<b>(246,524)</b>	<b>165,972</b>	<b>(4,658,667)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>6,317,091</b>	<b>6,317,091</b>	<b>(191,124)</b>	<b>(626)</b>	<b>6,125,341</b>
<b>Total</b>	<b>\$ 7,495,028</b>	<b>\$ 7,495,028</b>	<b>\$ 332,849</b>	<b>\$ (626)</b>	<b>\$ 7,827,251</b>

## **CITY OF PONCHATOULA, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 6. Capital Assets (Continued)**

Property, plant and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives as follows:

Water and Sewer Plant	50 Years
Buildings	40 Years
Equipment	3 - 20 Years
Infrastructure	25 Years

#### **Note 7. Employee Pension Plan**

##### **Louisiana Municipal Employees' Retirement System**

The City provides pension benefits for all of its full-time employees through a joint contributory, defined benefit pension plan in the statewide Louisiana Municipal Employees' Retirement System (the System). The Municipal Employees' Retirement System, State of Louisiana, is the administrator of a cost-sharing, multiple-employer plan.

The Municipal Employees' Retirement System, State of Louisiana, was established by Act #356 of the 1954 regular session of the Legislature of the State of Louisiana, to provide retirement benefits to employees of all incorporated villages, towns, and cities within the state, which did not have their own retirement system and which elected to become members of the System.

The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years of creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana.

Act #569 of the year 1968, established by the Legislature of the State of Louisiana, provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B." Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The City elected to become a member of the System on June 27, 1966, and is a member of Plan B.

## **CITY OF PONCHATOULA, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 7. Employee Pension Plan (Continued)**

##### **Louisiana Municipal Employees' Retirement System (Continued)**

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System.

Any member of Plan B can retire providing he meets one of the following criteria:

- Any age with thirty (30) years of creditable service.
- Age 60 with a minimum of ten (10) years of creditable service.
- Under age 60 with ten (10) years of creditable service eligible for disability benefits.
- Survivor's benefits are available upon the death of a member who has credit for five (5) or more years of service and who is not eligible for normal retirement benefits.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. A member is vested after ten (10) years, but he must leave his accumulated contributions in the plan until retirement. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the entities, within the options available in the state statutes governing the System and within the actuarial constraints also in the statutes.

The contribution rate for employees is 5.00% of earnable compensation and is established by state statute.

The employer contribution rate is 6.75% of members' earnings. The System also receives  $\frac{1}{4}$  of 1% of Ad Valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions; the remaining employer contributions are determined according to actuarial requirements and are set annually.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 7. Employee Pension Plan (Continued)

##### Louisiana Municipal Employees' Retirement System (Continued)

###### *Trend Information*

###### Pension Expenditures/Expenses

<b>Fiscal Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contribution</b>
June 30, 2009	\$ 52,798	100%
June 30, 2010	\$ 51,115	100%
June 30, 2011	\$ 51,460	100%

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

All employees of the City are also members of the Social Security System.

##### **Firefighters' Retirement System of Louisiana**

Beginning in August 2000, full-time fire employees of the City began participating in the Louisiana Firefighters' Retirement System (the Fire System), a multiple-employer defined benefit public employee retirement system.

All City fire employees who participate in the plan shall be eligible for retirement if he has 25 years or more of creditable service at any age, 20 years or more of creditable service and is at least age 50, or 12 years or more creditable service and is at least age 55. Retirement benefits are equal to 3½ percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service requirements that entitle them to regular retirement benefits. The Fire System also provides death and disability benefits. Benefits are established by state statute.

The contribution rate for employees is 8.00% of earnable compensation and is established by state statute.

The employer contribution rate is 21.50% of members' earnings.



## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 7. Employee Pension Plan (Continued)

##### Firefighters' Retirement System of Louisiana (Continued)

###### *Trend Information*

###### Pension Expenditures/Expenses

<b>Fiscal Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contribution</b>
June 30, 2009	\$ 26,905	100%
June 30, 2010	\$ 34,828	100%
June 30, 2011	\$ 54,047	100%

The Fire System issues an annual publicly available financial report that includes financial statements and required supplementary information for the Fire System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

All employees of the City are also members of the Social Security System.

##### **Municipal Police Employees' Retirement System of Louisiana**

Beginning in July 2000, full-time police employees of the City began participating in the Municipal Police Employees' Retirement System (the Police System), a multiple-employer defined benefit public employee retirement system.

All City police employees who participate in the plan shall be eligible for retirement if he has 25 years or more of creditable service at any age, 20 years or more of creditable service and is at least age 50, or 12 years or more creditable service and is at least age 55. Retirement benefits are equal to 3½ percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service requirements that entitle them to regular retirement benefits. The Police System also provides death and disability benefits. Benefits are established by state statute.

The contribution rate for employees is 7.50% of earnable compensation and is established by state statute.

The employer contribution rate is 25.00% of members' earnings.

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 7. Employee Pension Plan (Continued)**

**Municipal Police Employees' Retirement System of Louisiana (Continued)**

*Trend Information*

Pension Expenditures/Expenses

<b>Fiscal Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contribution</b>
June 30, 2009	\$ 74,328	100%
June 30, 2010	\$ 96,123	100%
June 30, 2011	\$ 208,031	100%

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard - Suite 200, Baton Rouge, Louisiana 70809-7601, or by calling (225) 929-7411.

**Note 8. Compensated Absences**

At June 30, 2011, employees of the City have accumulated and vested \$102,073 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$70,206 is recorded as an obligation of the General Fund. The leave liability accounted for in the Enterprise Funds for employees of the Enterprise Funds is \$31,867. These amounts were included in accrued liabilities on the accompanying financial statements.

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 9. Long-Term Debt and Capital Lease Obligations**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities**

As of June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

**Capital Lease**

\$126,314 capital lease payable to Ford Motor Credit dated January 1, 2011, due in 12 quarterly installments of \$11,364 through October 1, 2013, with an interest rate of 5.70%.	\$ 95,358
\$113,957 capital lease payable to Ford Motor Credit dated December 7, 2009, due in 12 quarterly installments of \$10,367 through September 7, 2012; with an interest rate of 6.55%.	<u>49,385</u>
<b>Total Governmental Activity Debt</b>	<b><u>\$ 144,743</u></b>

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

**Sewer Revenue Bonds**

\$1,093,000 Series 2003 Sewer Revenue Refunding Bonds dated September 23, 2003, due in annual installments of \$60,000 - \$104,000 through March 1, 2012, interest is 1.70% - 3.80% (payable from a pledge of the City's sewer revenues).	<u>\$ 104,000</u>
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**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

**Note 9. Long-Term Debt and Capital Lease Obligations (Continued)**

**Governmental Activities (Continued)**

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	<b>Capital Lease Obligations</b>	<b>Sewer Revenue</b>	<b>Total</b>
Bonds and Notes			
at July 1, 2010	\$ 135,907	\$ 247,000	\$ 382,907
Issued	126,314	-	126,314
Retired	(117,478)	(143,000)	(260,478)
Bonds and Notes			
at June 30, 2011	<u>\$ 144,743</u>	<u>\$ 104,000</u>	<u>\$ 248,743</u>

The annual requirements to amortize all bonds at June 30, 2011, are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>Capital Lease</b>		<b>Sewer Revenue</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 80,071	\$ 6,857	\$ 104,000	\$ 3,952	\$ 184,071	\$ 10,809
2013	64,672	2,517	-	-	64,672	2,517
<b>Total</b>	<u>\$ 144,743</u>	<u>\$ 9,374</u>	<u>\$ 104,000</u>	<u>\$ 3,952</u>	<u>\$ 248,743</u>	<u>\$ 13,326</u>

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### **Note 10. Dedication of Proceeds and Flow of Funds - Sewer Revenues**

The City, through its governing authority, adopted Ordinance No. 592 on August 14, 2003, authorizing the issuance of Sewer Revenue Refunding Bonds, Series 2003, in an amount not to exceed \$1,093,000 for the refunding of the Sewer Revenue Bonds, Series 1991, issued for the acquisition and construction of wastewater treatment facilities. In that ordinance, the revenues of the Sewer System are irrevocably and irrepealably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes. In that ordinance, certain funds were required to be established to account for the receipt and disbursement of Sewer System revenues. An analysis of these accounts is provided as follows:

*Revenue Fund* - The ordinance requires that all revenues of the Sewer System shall be deposited daily in a separately identifiable account to be established with the City's fiscal agent bank and designated as the "Revenue Fund." The revenues deposited into the Sewer Revenue Fund shall be expended in the following priority:

*Operation and Maintenance Fund* - From the Revenue Fund, the City shall pay all reasonable and necessary costs and expenses of operating and maintaining the Sewer System.

*Sinking Fund* - After the payment of all reasonable and necessary costs and expenses of maintaining the Sewer System, monies from the Revenue Fund shall be transferred to a separately identifiable account to be established with the City's fiscal agent bank and designated as the "Sinking Fund" in amounts sufficient to pay promptly and fully the principal of and interest on the bonds as they severally become due and payable. Monies from the Revenue Fund shall be transferred into the Sinking Fund monthly in advance on or before the twentieth (20th) day of each month of each year.

The payments will continue monthly until March 2012, unless the bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### **Note 10. Dedication of Proceeds and Flow of Funds - Sewer Revenues (Continued)**

*Renewal and Replacement Fund* - From the Revenue Fund, there shall be transferred monthly on or before the twentieth (20th) day of each month of each year to a separately identifiable account to be established with the City's fiscal agent bank and designated as the "Renewal and Replacement Fund" an amount equal to five percent (5%) of the Net Revenues of the Sewer System collected in the prior calendar month until such fund accumulates \$50,000. All monies in the Renewal and Replacement Fund may be used for the purpose of paying the costs of any unusual and extraordinary maintenance and any repairs, replacements, extensions, and improvements to the Sewer System. Money accumulated in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the Sinking Fund or the Reserve Fund.

All monies remaining in the Revenue Fund after all required deposits into the bond funds described herein shall be considered surplus and may be used for the purpose of retiring bonds in advance of their maturity or for any other lawful purpose.

As of June 30, 2011, balances in the Sinking Fund and Renewal and Replacement Fund were in accordance with the bond covenants.

#### **Note 11. Compliance with Sewer Revenue Refunding Bond Covenants**

The City, through its governing authority, adopted Ordinance No. 592 on August 14, 2003, authorizing the issuance of Sewer Revenue Refunding Bonds, Series 2003 in an amount not to exceed \$1,093,000 for refunding the Sewer Revenue Bonds, Series 1991 issued for the acquisition and construction of wastewater treatment facilities. That ordinance contained certain covenants and agreements in connection with the security and payment of the bonds. The major covenants contained in the ordinance and agreement and the manner in which the City has complied with these covenants is described on the following page:

##### **Rate Covenant**

In the ordinance, the City covenants to fix, establish, maintain, and collect such rates, fees, rents, and other charges of the services and facilities of the Sewer System and to revise the rates whenever necessary as will always provide revenues in each fiscal year sufficient to pay (i) the reasonable and necessary expenses of operation of the Sewer System, (ii) one hundred fifteen percent (115%) of the required deposits to the Sinking Fund for such fiscal year, (iii) all other payments required for such fiscal year by the bond resolution and loan agreement, and (iv) all other obligation or indebtedness payable out of the revenues for such fiscal year. In connection therewith, the City adopted an ordinance that established sewer user classifications, set specific sewer rates, and provided a detailed procedure for annual review and adjustment of sewer rates.

For the fiscal year ended June 30, 2011, the City was in compliance with the rate covenant.

## **CITY OF PONCHATOULA, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 11. Compliance with Sewer Revenue Refunding Bond Covenants (Continued)**

##### **Rate Covenant (Continued)**

In connection with the rate covenant, the ordinance also contained specific procedures with regards to delinquent sewer customers. The City agreed that the failure of any person to pay the charges for any service rendered by the Sewer System within thirty (30) days of the date on which it is due shall cause such charge to become delinquent and a delinquent charge of ten percent (10%) of the delinquent amount shall be assessed. If a delinquent account is not paid within thirty (30) days of the date of delinquency, the City will shut off water services to the affected premises. All delinquent accounts shall bear interest at the rate of six percent (6%) per annum.

At June 30, 2011, the City was in compliance with this bond covenant.

##### **Records, Accounts, and Audit Requirements**

In the ordinance, the City is required to maintain and keep accurate records and accounts for the Sewer System separate and distinct from its other records and accounts. These Sewer System records shall be maintained in accordance with generally accepted government accounting standards and shall be audited annually by an independent certified public accountant.

As of June 30, 2011, the City was in compliance with this bond covenant.

##### **Insurance and Fidelity Bonds**

In the ordinance, the City is required to maintain full coverage of insurance on the Sewer System. The City is also required to obtain fidelity bonds on all employees in a position of authority or in possession of money derived from the operation of the Sewer System.

As of June 30, 2011, the City was in compliance with this bond covenant.

##### **Other Requirements**

The ordinance contains additional covenants regarding the utilization of funds, appointment of engineer, and other miscellaneous provisions.

As of June 30, 2011, the City was in compliance with these other bond covenants in all material respects.

**CITY OF PONCHATOULA, LOUISIANA****Notes to Financial Statements**

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**Note 12. Interfund Receivables/Payables**

The primary purpose of interfund receivables/payables is to loan monies between funds to cover current expenditures. Individual fund balances due from/to other funds at June 30, 2011, are as follows:

	<b>Due From</b>	<b>Due To</b>
<b>General Fund</b>		
Water Enterprise Fund	\$ -	\$ 485
Sewer Enterprise Fund	-	1,402
1965 Sales Tax Fund	99,623	
Equipment Millage Fund	23,494	-
	<hr/>	<hr/>
<b>Total General Fund</b>	123,117	1,887
 <b>1965 Sales Tax Fund</b>		
General Fund		99,623
 <b>Equipment Millage Fund</b>		
General Fund	-	23,494
 <b>Water Enterprise Fund</b>		
General Fund	485	-
 <b>Sewer Enterprise Fund</b>		
General Fund	1,402	-
	<hr/>	<hr/>
<b>Total All Funds</b>	<u>\$ 125,004</u>	<u>\$ 125,004</u>

All interfund receivables/payables are considered short-term, as they are expected to be repaid within the next fiscal year.



**CITY OF PONCHATOULA, LOUISIANA****Notes to Financial Statements**

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**Note 13. Interfund Transfers**

Operating transfers between funds consist primarily of sales tax revenues transferred out of the Sales Tax Fund to the particular funds for which the sales tax revenue is to be used. The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2011:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>General Fund</b>	\$ 1,631,258	\$ -
<b>Special Revenue Funds</b>		
1965 Sales Tax Fund	-	1,267,200
Fireman Pay Millage Fund	-	90,642
Policeman Pay Millage Fund	-	271,724
Equipment Pay Millage Fund	-	1,692
<b>Total All Funds</b>	<u>\$ 1,631,258</u>	<u>\$ 1,631,258</u>

**Note 14. Reserved, Restricted, and Nonspendable Fund Balances/Net Assets**

The balances of the reserved, restricted, and nonspendable fund balance/net asset accounts of the City as of June 30, 2011, are as follows:

Nonspendable for Endowment Principal - Permanent Fund	\$ 53,235
Restricted for Mausoleum	40,652
Restricted for Dedicated Sales Tax Usage	919,749
Restricted for Fireman Pay	5,818
Restricted for Policeman Pay	21,070
Restricted for Safety Equipment	269,455
Restricted for Meter Deposits	58,610
Restricted for Debt Service	45,005
<b>Total</b>	<u>\$ 1,413,594</u>

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 15. Ad Valorem Taxes

The 1974 Louisiana Constitution (Article 7, Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the Tangipahoa Parish Assessor on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. The City bills and collects its own property taxes using the assessed values determined by the Tangipahoa Parish Tax Assessor, as follows:

Levy Date	May 2, 2010
Millage Rates Adopted	May 2, 2010
Tax Bills Mailed	November 15, 2010
Due Date	December 31, 2010
Lien Date	January 1, 2011

State law requires the City to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1<sup>st</sup> of the following year.

If taxes are not paid by the due date, taxes bear interest at the rate of 1¼% per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year end.

All property taxes are recorded in governmental funds and revenues in the governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as revenue in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

All of the net taxes receivable at the end of the year are considered available. Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Property taxes are considered available because they are substantially collected by the tax collector within 60 days subsequent to year end and are, therefore, available to liquidate liabilities of the current period.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 15. Ad Valorem Taxes (Continued)

For the year ended June 30, 2011, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$45,545,566 and were dedicated as follows:

	Authorized Millage	Levied Millage	Levied Taxes	Expiration Date
General Fund Purposes	6.52	6.52	\$ 296,957	-
Police Millage Fund	6.00	6.00	273,273	2020
Fire Millage Fund	2.00	2.00	91,091	2020
Equipment Millage Fund	2.00	2.00	91,091	2020
<b>Total</b>	<b>16.52</b>	<b>16.52</b>	<b>\$ 752,412</b>	

Levied taxes differ from the taxes collected because of the collection of cost, interest and prior year taxes as well as the existence of current year levied taxes that were not collected as of the end of the fiscal year.

#### Note 16. On-Behalf Payments for Salaries and Benefits

During 1998, the City implemented GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, which requires the City to report in the financial statements on-behalf salary and fringe benefit payments made by the state to certain City employees.

Supplementary salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year 2011, the state paid supplemental salaries to the fire and law enforcement employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions on these on-behalf payments.

On-behalf payments recorded as revenues and expenditures in the financial statements are as follows:

	State Supplemental Salaries
Policeman Supplemental Pay	\$ 134,827
Fireman Supplemental Pay	<u>36,000</u>
<b>Total On-Behalf Payments</b>	<b><u>\$ 170,827</u></b>

## **CITY OF PONCHATOULA, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 17. Excess of Expenditures over Appropriations**

During the year ended June 30, 2011, the General Fund's actual expenditures of \$4,746,896 exceeded the budgeted expenditures of \$4,594,100 resulting in an unfavorable variance of \$152,796. During the year ended June 30, 2011, the 1965 Sales Tax Fund's actual expenditures of \$9,341 exceeded the budgeted expenditures of \$7,600 resulting in an unfavorable variance of \$1,741.

#### **Note 18. Change in Reporting Entity**

As described in Note 1, the City adopted the provisions of GASB 54 for the year ending June 30, 2011. The City has elected to report the collection and expenditure of the 1982 sales tax in the General Fund. As a result, the 1982 Sales Tax Fund as previously reported will be reported in the General Fund. The effect of this change in reporting entity is an increase in the General Fund fund balance of \$1,071,119. This results in a restated fund balance at July 1, 2010 in the General Fund of \$3,673,451.

#### **Note 19. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2011, the City carried insurance through various commercial carriers to cover all risks of losses. The City has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTAL INFORMATION - PART II**

## Schedule 1

**CITY OF PONCHATOULA, LOUISIANA**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable/ (Unfavorable)</b>
<b>Revenues</b>				
Taxes	\$ 1,831,700	\$ 1,823,900	\$ 1,778,901	\$ (44,999)
Licenses and Permits	540,300	565,700	544,380	(21,320)
Intergovernmental	1,431,550	310,100	346,595	36,495
Fines and Forfeitures	298,300	307,300	205,734	(101,566)
Sanitation Service Fees	392,300	389,800	384,391	(5,409)
Other Revenues	28,400	22,800	92,313	69,513
<b>Total Revenues</b>	<b>4,522,550</b>	<b>3,419,600</b>	<b>3,352,314</b>	<b>(67,286)</b>
<b>Expenditures</b>				
Current				
General Government	1,068,200	944,100	965,419	(21,319)
Public Safety	2,392,305	2,360,500	2,428,600	(68,100)
Public Works	2,622,880	1,073,600	1,128,823	(55,223)
Cemetery	30,400	32,200	34,908	(2,708)
Culture and Recreation	191,300	158,400	161,209	(2,809)
Community Development	9,450	6,700	8,332	(1,632)
Miscellaneous Programs	18,450	18,600	19,605	(1,005)
<b>Total Expenditures</b>	<b>6,332,985</b>	<b>4,594,100</b>	<b>4,746,896</b>	<b>(152,796)</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(1,810,435)</b>	<b>(1,174,500)</b>	<b>(1,394,582)</b>	<b>(220,082)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,622,800	1,488,400	1,631,258	142,858
Sale of Capital Assets	2,500	21,100	24,699	3,599
<b>Total Other Financing Sources (Uses)</b>	<b>1,625,300</b>	<b>1,509,500</b>	<b>1,655,957</b>	<b>146,457</b>
<b>Change in Fund Balance</b>	<b>\$ (185,135)</b>	<b>\$ 335,000</b>	<b>261,375</b>	<b>\$ (73,625)</b>
<b>Fund Balance, Beginning of Year - Restated</b>			<b>3,673,451</b>	
<b>Fund Balance, End of Year</b>			<b>\$ 3,934,826</b>	

See independent auditor's report.

**CITY OF PONCHATOULA, LOUISIANA**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**1965 Sales Tax Fund**  
**For the Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable/ (Unfavorable)</b>
<b>Revenues</b>				
Sales Taxes	\$ 1,272,500	\$ 1,272,500	\$ 1,241,206	\$ (31,294)
Investment Interest	2,300	2,300	2,992	692
<b>Total Revenues</b>	<u>1,274,800</u>	<u>1,274,800</u>	<u>1,244,198</u>	<u>(30,602)</u>
<b>Expenditures</b>				
General Government				
Collection Fees	7,600	7,600	9,341	(1,741)
<b>Total Expenditures</b>	<u>7,600</u>	<u>7,600</u>	<u>9,341</u>	<u>(1,741)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,267,200</u>	<u>1,267,200</u>	<u>1,234,857</u>	<u>(32,343)</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers Out	(1,267,200)	(1,267,200)	(1,267,200)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(1,267,200)</u>	<u>(1,267,200)</u>	<u>(1,267,200)</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(32,343)</u>	<u>\$ (32,343)</u>
<b>Fund Balance, Beginning of Year</b>			<u>952,092</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 919,749</u>	

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## **OTHER SUPPLEMENTAL INFORMATION**



**CITY OF PONCHATOULA, LOUISIANA**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	Special Revenue				Permanent Fund	
	Mausoleum Trust Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	Total Non-Major Funds
<b>Assets</b>						
Cash	\$ 65	\$ 5,818	\$ 21,070	\$ 292,949	\$ 13,386	\$ 333,288
Investments	40,587	-	-	-	39,849	80,436
<b>Total Assets</b>	<b>\$ 40,652</b>	<b>\$ 5,818</b>	<b>\$ 21,070</b>	<b>\$ 292,949</b>	<b>\$ 53,235</b>	<b>\$ 413,724</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 23,494	\$ -	\$ 23,494
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,494</b>	<b>-</b>	<b>23,494</b>
<b>Fund Balance</b>						
Nonspendable	-	-	-	-	53,235	53,235
Restricted	40,652	5,818	21,070	269,455	-	336,995
<b>Total Fund Balance</b>	<b>40,652</b>	<b>5,818</b>	<b>21,070</b>	<b>269,455</b>	<b>53,235</b>	<b>390,230</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 40,652</b>	<b>\$ 5,818</b>	<b>\$ 21,070</b>	<b>\$ 292,949</b>	<b>\$ 53,235</b>	<b>\$ 413,724</b>

See independent auditor's report.

**CITY OF PONCHATOULA, LOUISIANA**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2011**

	Special Revenue				Permanent Fund	Total
	Mausoleum Trust Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	Non-Major Funds
<b>Revenues</b>						
Ad Valorem Taxes	\$ -	\$ 90,863	\$ 271,615	\$ 90,953	\$ -	\$ 453,431
Other Income	-	-	-	-	4,300	4,300
Investment Interest	73	12	46	634	90	855
<b>Total Revenues</b>	<b>73</b>	<b>90,875</b>	<b>271,661</b>	<b>91,587</b>	<b>4,390</b>	<b>458,586</b>
<b>Expenditures</b>						
Public Safety	-	-	-	206,202	-	206,202
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206,202</b>	<b>-</b>	<b>206,202</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>73</b>	<b>90,875</b>	<b>271,661</b>	<b>(114,615)</b>	<b>4,390</b>	<b>252,384</b>
<b>Other Financing Sources (Uses)</b>						
Transfers Out	-	(90,642)	(271,724)	(1,692)	-	(364,058)
Capital Lease Proceeds	-	-	-	126,314	-	126,314
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(90,642)</b>	<b>(271,724)</b>	<b>124,622</b>	<b>-</b>	<b>(237,744)</b>
<b>Change in Fund Balance</b>	<b>73</b>	<b>233</b>	<b>(63)</b>	<b>10,007</b>	<b>4,390</b>	<b>14,640</b>
<b>Fund Balance, Beginning of Year</b>	<b>40,579</b>	<b>5,585</b>	<b>21,133</b>	<b>259,448</b>	<b>48,845</b>	<b>375,590</b>
<b>Fund Balance, End of Year</b>	<b>\$ 40,652</b>	<b>\$ 5,818</b>	<b>\$ 21,070</b>	<b>\$ 269,455</b>	<b>\$ 53,235</b>	<b>\$ 390,230</b>

See independent auditor's report.

**CITY OF PONCHATOULA, LOUISIANA**  
**Schedule of Compensation of Paid Elected Officials**  
**For the Year Ended June 30, 2011**

<b>Name and Address</b>	<b>Position</b>	<b>Term of Office</b>	<b>Salary</b>
Robert F. Zabbia 211 North Seventh Street Ponchatoula, LA 70454 (985) 386-9768	Mayor	July 1, 2008 - June 30, 2012	\$ 68,190 *
Bry Layrisson 15 Weldon Circle Ponchatoula, LA 70454 (985) 386-5294	Chief of Police	July 1, 2008 - June 30, 2012	86,194 **
Braville LeBlanc 132 Braville Street Ponchatoula, LA 70454 (985) 386-0938	City Council District A	July 1, 2008 - June 30, 2012	6,000
Elouise Conley-Dotey 120 Barringer Drive Ponchatoula, LA 70454 (985) 386-4907	City Council District B	May 11, 2010 - June 30, 2012	6,000
Jeannemarie Pierson 301 South Eighth Street Ponchatoula, LA 70454 (985) 386-6461	City Council District C	July 1, 2008 - June 30, 2012	6,000
Melvin Toomer 495 S.E. I-55 Service Road Ponchatoula, LA 70454 (985) 386-6484	City Council District D	May 11, 2010 - June 30, 2012	6,000
Vergil J. Sandifer 485 East Cypress Street Ponchatoula, LA 70454 (985) 386-8373	City Council District E	July 1, 2008 - June 30, 2012	6,000
			<hr/>
			<u>\$ 184,384</u>

\* Including benefits and vehicle allowance.

\*\* Including benefits, state supplemental pay, and vehicle allowance.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Robert F. Zabbia, Mayor  
and the Members of the City Council  
City of Ponchatoula, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the City of Ponchatoula, Louisiana's basic financial statements and have issued our report thereon dated October 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Ponchatoula, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ponchatoula, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ponchatoula, Louisiana's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Ponchatoula, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the City of Ponchatoula, Louisiana, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

October 4, 2011